

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 PA-02 PRS-01
/070 W

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R 300843Z DEC 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 5868

UNCLAS SECTIN 1 OF 2 JAKARTA 17414

PASS AGRICULTURE FOR BULLION/OGSM, NOVOTNY/FAS-G&F,
STEPHENS/OGSM-CEP

EO 11652: NA
TAGS: EAGR, EAID, ID
SUBJ: 1978/79 INDONESIAN IMPORT NEEDS

FOLLOWING IS REQUESTED ESTIMATE OF INDONESIA PRINCIPAL FOOD GRAIN
AND, IN ADDITION, COTTON AND DAIRY CATTLE IMPORTS FOR IFY 1978/79.

1. AT THIS JUNCTURE FORECASTING INDONESIA'S FOOD GRAIN IMPORT
REQUIREMENTS FOR 1978/79 CAN ONLY BE A ROUGH ESTIMATE.
PRINCIPAL ELEMENT OF UNCERTAINTY IS HOW LARGE THE 1978 RICE
CROP WILL BE. FOLLOWING SEVERE DROUTHS TWO YEARS I A ROW,
SOME INDONESIAN AUTHORITIES ARE CONCERNED THAT THE 1978 RICE
OUTPUT WILL BE ADVERSELY AFFECTED. SOIL MOISTURE RESERVES
ARE VERY LIKELY DEPLETED INNON-IRRIGATED DISEASES ASSOCIATED WITH
THE RICE MONOCULTURE THAT HAS DEVELOPED PARTICULARLY IN JAVA
IS ANOTHER WORRISOME FACTOR. ON THE OTHER HAND ECONOMIC
STABILIZATION COUNCIL HAS ANNOUNCED INTENSIFIED CAMPAIGN TO
DISTRIBUTE 18,000 TONS OF IR 32 AND IR 36 HYV RICE SEED
RESISTANT TO WERENG PEST FOR NEXT CROP IN AREAS MOST
SERIOUSLY AFFECTED IN 1977. CREDITS WILL ALSO BE MADE
AVAILABLE TO SUPPLY SPRAYING EQUIPMENT TO FARMERS TO
COMBAT INSECT INFESTATIONS. AMPLE SUPPLIES OF UREA AND
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OTHER FERTILIZERS ARE AVAILABLE.

2. BIMAS -WHILE BIMAS HECTARE HAS BEEN DECLINING FOR LAST TWO
YEARS, PARTICIPATION IN INMAS PROGRAM HAS MORE THAN DOUBLED
SINCE 1975. AS A RESULT, TOTAL INTENSIFIED PADDY HECTARAGE
HAS CONTINUED TO INCREASE (ALTHOUGH BELOW PLANNED LEVELS).
BARRED FROM THE BIMAS PROGRAM BECAUSE OF DEFAULTS ON LOAN

REPAYMENTS, INCREASING NUMBERS OF FARMERS ARE PARTICIPATING IN THE LESS ATTRACTIVE INMAS PROGRAM. BIMAS CREDIT IN KIND AND CASH RANGE FROM 20,140 RP/HA TO 37,180 RP/HA FOR FY 1977/78. IN CONTRAST ON JULY 20, 1977 MINISTER OF AGRICULTURE ANNOUNCED INMAS FARMERS CAN RECEIVE CREDIT IN KIND IN THE FORM OF FERTILIZER, INSECTICIDE AND RODENTICIDE. NEW INMAS PACKAGE RANGES FROM 5,720 RP/HA TO 11,440 RP/HA. PLANNED BIMAS PARTICIPATION IN 1977/78 IS SET FOR OVER 2.7 MILLION HA. IT IS EXTREMELY UNLIKELY, HOWEVER, THAT THE LEVEL OBTAINED IN THE 1976/77 WET SEASON OF 1.8 MILLION HA WILL BE SUBSTANTIALLY EXCEEDED (IF REACHED AT ALL). INMAS PARTICIPATION, HOWEVER, IS EXPECTED TO CONTINUE TO INCREASE, WITH A RESULTING INCREASE IN TOTAL INTENSIFIED PADDY AREA.

3. PROVIDING ADEQUATE RAINFALL OCCURS FROM NOW UNTIL MAIN WET SEASON CROP IS HARVESTED AND THERE IS NOT A REPETITION OF 1976 AND 1977 DROUTHS, WA CURRENTLY ESTIMATE THE 1978 CROP AT 16 MILLION TONS. AT THIS LEVEL, INDONESIA WOULD NEED TO PROCURE FOR IMPORT ABOUT 2.7 MILLION TONS OF RICE IN 1978/79, 100,000 TONS MORE THAN APRIL/MARCH IMPORTS IN 1977/78. FOLLOWING TABLE SETS FORTH BASIS OF THIS ESTIMATE:

	MILLION TONS
1978 DOMESTIC RICE CROP	16.0
LESS 10 PERCENT FOR SEED AND LOSSES	1.6
NET AVAILABILITY	14.4
CONSUMPTION REQUIREMENT #/	17.1

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FROM NET DOMESTIC CROP	14.4
IMPORTS FOR CONSUMPTION	2.7
PLUS STOCK REPLACEMENT (TO REBUILD STOCKS	
FROM .5 TO .8 MILLION TONS)	.3
TOTAL IMPORT REQUIREMENTS	3.0
LESS APRIL 1, 1978 CARRYOVER OF IMPORTS	.34
NET NEW IMPORT PURCHASES 1978/79	2.66
COST AT \$268.61/TONS CIF ##/	\$714.5 MILLION

#/ BASED ON A POPULATION ESTIMATE AS OF SEPTEMBER 1978 OF 138 MILLION AND ALLOWING FOR A PER CAPITA INCREASE IN RICE CONSUMPTION OF THREE PERCENT ARRIVED AT USING AN ELASTICITY OF INCOME DEMAND FACTOR OF PLUS .6 AND AN INCREASE IN PER CAPITAL INCOME OF FIVE PERCENT. THIS RESULTS IN A PER CAPITA RICE CONSUMPTION FIGURE OF 123.6 KG COMPARED TO 120 KG USED DURING THE PAST YEAR.

##/ WEIGHTED AVERAGE: EAST ASIA IMPORTS AT \$250 PER TON;
U.S. RICE AT \$340 PER TON.

NOTE: EMBASSY CAUTIONS, 1978 MAIN RICE CROP ONLY PLANTED ONE MONTH AGO, ABOVE ESTIMATES ON PRODUCTION AND TRADE ARE VERY TENTATIVE.

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XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02
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TO SECSTATE WASHDC 5869

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4. WHEAT-THE OFFICE OF THE AGRICULTURAL ATTACHE ESTIMATES TOTAL WHEAT CONSUMPTION IN 1977/78 WILL BE 987,000 TONS PLUS AN ADDITION OF 83,000 TONS TO STOCKS. USING A FACTOR OF PLUS 1.8 AS THE ELASTICITY OF INCOME DEMAND FOR WHEAT FLOUR AND AN AVERAGE INCREASE OF FIVE PERCENT IN PER CAPITA INCOME THE PER CAPITA DEMAND FOR WHEAT FLOUR IN WHEAT EQUIVALENT IS EXPECTED TO RISE FROM 7.3 IN 1977/78 TO 7.96 KG/CAPITA IN 1978/79. ALLOWING FOR AN INCREASE IN POPULATION FROM SEPTEMBER 1977 TO SEPTEMBER 1978 FROM 135 TO 138 MILLION CONSUMPTION REQUIREMENTS WILL INCREASE FROM 987,000 TONS TO 1.1 MILLION TONS. ENDING STOCK AS OF MARCH 31, 1978 OF AN ESTIMATED 175,000 TONS OF WHEAT ARE CONSIDERED ADEQUATE THUS WHEAT IMPORT NEEDS FOR 1978/79 ARE FORECAST TO BE 1.1 MILLION TONS. IT MIGHT BE NOTED THAT THE HEAD OF BULOG, GENERAL ARIFIN, ADVISED THE AG ATTACHE RECENTLY THAT IT IS NOW OFFICIAL POLICY OF THE GOI TO ENCOURAGE THE CONSUMPTION OF WHEAT FLOUR PRESUMABLY BECAUSE WHEAT IMPORTS ARE CONSIDERABLY CHEAPER THAN RICE. 1.1 MILLION TONS OF WHEAT AT \$130 PER TON (FOB) WOULD COST \$143 MILLION.

5. BULGUR - IT IS EXPECTED BULOG WILL REQUEST 50,000 TONS OF BULGUR FOR IFY 1978/79. AT \$170 PER TON CIF, SUCH IMPORTS WOULD COST \$8.5 MILLION.

6. FOLLOWING IS THE FINANCING PROGRAM PROPOSED BY THE EMBASSY
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FOR IMPORTS OF FOOD GRAIN AND, IN ADDITION, COTTON AND DAIRY CATTLE IMPORTS. IT IS PROPOSED 400,000 TONS OF RICE, 200,000 TONS OF WHEAT AND 50,000 TONS OF BULGUR BE PROGRAMMED UNDER TITLE I, PL 480 AND THAT CCC CREDIT BE OFFERED FOR 150,000 TONS OF RICE, 150,000 TONS OF WHEAT, 100,000 BALES OF COTTON AND 2,500 HEAD OF DAIRY BREEDING STOCK. IF CONGRESS APPROVES EXTENSION OF CCC CREDIT TERMS UP TO TEN YEARS SUCH CREDITS SHOULD BE QUITE ATTRACTIVE TO GOI.

FOOD GRAIN IMPORT SUMMARY

MILLIONS

RICE	2.66 MIL T AT \$268.61	\$714.5
WHEAT	1.1 MIL T AT \$130.00	143.0
BULGUR	.05 MIL T AT \$170.00	8.5
TOTAL COST		\$866.0

FOOD GRAIN IMPORTS FINANCED FROM GOI RESOURCES

RICE	2.110 MIL T AT \$250	\$527.5
WHEAT	.750 MIL T AT \$130	97.5
TOTAL		\$625.0

TITLE I, PL 480

RICE	400,000 T AT \$340	\$136.0
WHEAT	200,000 T AT \$130	26.0
BULGUR	50,000 T AT \$170	8.5
TOTAL		\$170.5

CCC CREDIT PROGRAM

RICE	150,000 T AT \$340	\$51.0
WHEAT	150,000 T AT \$130	19.5
COTTON 1#	100,000 BALES AT \$264	26.4
DAIRY BREEDING STOCK 2#	(2,500 HEAD AT \$1,000)	2.5
TOTAL		\$99.4

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1#/ TOTAL COTTON IMPORT REQUIREMENTS IN 1978/79 ARE ESTIMATED AT 350,000 BALES.

2#/ THE DIRECTORATE GENERAL OF ANIMAL HUSBANDARY, DEPARTMENT OF AGRICULTURE, IS PLANNING TO IMPORT 5,000 BRED DAIRY HEIFERS A YEAR OVER THE NEXT FIVE YEARS. CCC CREDIT FINANCING HAS BEEN OFFERED. IT IS ASSUMED INDONESIA WILL BUY AT LEAST HALF OF THESE FROM NEW ZEALAND AND AUSTRALIA.

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Message Attributes

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